1. What **cannot** be measured to find a country's GDP?

A) Expenditure

B) Income

C) Output

D) Wealth

2. What is included in net property income from abroad?

A) Compensation of employees

B) Interest

C) Subsidies

D) Taxes

3. What must be zero if GDP at market prices is equal to GNI at market prices?

A) Indirect taxes

B) Net property income

C) Subsidies

D) Transfer payments

4. The table shows some national income statistics.

	$ billion
GNI at basic prices	500
Indirect taxes	40
Net income from abroad	20
Subsidies	10
Unemployment benefits	30

What is GDP at market prices?

A) $450bn

B) $480bn

C) $510bn

D) $550bn

5. What would it mean if GDP at basic prices is of a higher value than GNI at basic prices?

A) Capital goods exceed consumer goods

B) Net exports are negative

C) Net income from abroad is negative

D) Taxation on products exceeds subsidies

6. Five people lose their jobs. Each was paid $40 000 a year. One gains a new job paying $45000, another gets a new job paying $38 000 and a third gets a new job paying $25000. Two of the workers do not get another job. One retires, receiving a state pension of $12000, and the other unemployment benefit of $8000.

What is the resulting change in GDP?

A) minus $108 000

B) minus $92 000

C) minus $72 000

D) minus $20 000

7. An economy's GDP is $640bn. Its consumer expenditure is $490bn, its government spending is $100bn, its investment is $80bn and its exports are $50bn.

What is the value of its imports?

A) $20bn

B) $30bn

C) $50bn

D) $80bn

8. How would NNI at basic prices be converted to GDP at market prices?

	depreciation	**indirect taxes**	**net income from abroad**	**subsidies**
A)	add	add	deduct	deduct
B)	add	deduct	add	add
C)	deduct	add	deduct	deduct
D)	deduct	deduct	add	add

9. The table shows information on a country.

	$ billion
Consumer expenditure	700
Total investment	200
Government spending	100
Net exports	-50
Net property income from abroad	10
Other net income from abroad	5
Indirect taxes	30
Subsidies	15
Depreciation	250

What is GDP at basic prices?

A) $685bn

B) $715bn

C) $935bn

D) $960bn

10. Why may the output of image processors used in the production of smartphones in a country not be included in the calculation of its GDP?

A) The production is more likely to be in the private sector than in the public sector.

B) The production of image processors is in the same sector as the production of smartphones.

C) The value of image processors is included in the value of the smartphones produced.

D) The value of image processors is too low to be included.

Past Paper Questions:

1. 9708/s18/P12/Q21

A government statistical office measured changes in income from employment, pensions and benefits, then subtracted income tax and welfare contributions and adjusted for inflation.

What did the final figure represent?

A) changes in nominal income

B) changes in nominal net earnings

C) changes in real disposable income

D) changes in real gross earnings

2. 9708/w01/P3/Q1

The value of net property income from abroad is negative.
What can be deduced from this?

A) Capital inflows exceed capital outflows.

B) Imports exceed exports.

C) Gross national product at factor is less than gross domestic product at factor cost.

D) Gross fixed capital formation is less than capital consumption.

3. 9708/w93/P3

Gross domestic product is equal to

A) gross national product plus exports less imports.

B) gross national product plus imports less exports.

C) gross national product less property income from abroad.

D) national income plus capital consumption

4. 9708/s00/P3/Q1

The gross domestic product of a country is £3000m and the price index stands at 150.

What is the country's gross domestic product, valued at the prices of the base year of the price index?

A) £1000 m

B) £2000 m

C) £3000 m

D) £4500 m

5. 9708/s19/P11/Q25

The table shows changes in the population, price level and Gross Domestic Product (GDP) of a country.

	Year 1	Year 2
Population (millions)	50	55
Consumer Price Index	100	120
Nominal GDP ($ billion)	400	480

What happened to real GDP and real GDP per head between year 1 and year 2?

	real GDP	real GDP per head
A	no change	fell
B	no change	rose
C	rose	fell
D	rose	rose

6. 9708/w11/P31/Q13, 9708/w11/P33/Q12

The table gives information about two countries in 1994 and 2004.

country	GNP (local currencies)		population (thousands)		prices (1994 = 100)
	1994	2004	1994	2004	2004
1	5 000	18 000	5 000	5 500	300
2	10 000	20 000	3 000	3 300	200

From the data in the table, what can be concluded about the real GNP per head?

A) It fell in country 2 only.

B) It fell in countries 1 and 2.

C) It rose in countries 1 and 2.

D) It rose in country 2 only.

7. 9708/s06/P3/Q16

The table gives data for an economy.

	2000	2001	2002	2003	2004
Gross Domestic Product (GDP) at current prices ($ billion)	200	220	240	300	320
GDP deflator	100	109	118	149	154

In which year did real GDP decline compared with the previous year?

A) 2001 **B)** 2002 **C)** 2003 **D)** 2004

8. 9708/w02/P3/Q14

Assuming that all indexes have 1990 as 100, the national income figures for 2000 at 1990 prices may be obtained by multiplying 2000 national income at current prices by

A) $\frac{\text{the index for 2000 prices}}{\text{the index for 1990 prices}}$

B) $\frac{\text{the index for 2000 prices}}{\text{the index for 1990 output}}$

C) $\frac{\text{the index for 1990 output}}{\text{the index for 2000 output}}$

D) $\frac{\text{the index for 1990 prices}}{\text{the index for 2000 prices}}$

9. 9708/s22/P11/Q20

The table shows a country's total output and its average price in each of three years.

year	output (millions)	price ($)
1	10	20
2	12	24
3	13	26

What can be concluded about output?

A) Nominal output and real output increased at the same rate.

B) Nominal output rose at a faster rate than real output.

C) Nominal output rose at an increasing rate.

D) Real output rose at a constant rate.

10. 9708/w20/P11/Q22

The real national income of a country fell by 3%.

What could have caused this?

A) Money national income fell by 3% when the rate of inflation was 6%.

B) Money national income fell by 6% when the rate of inflation was 3%.

C) Money national income rose by 3% when the rate of inflation was 6%.

D) Money national income rose by 6% when the rate of inflation was 3%.

11. 9708/m18/P12/Q21

During one year the national output of a country valued in terms of money prices increased by 8% while the index of the prices of all goods and services produced in the country increased by 3%.

By how much did the real national output increase?

A) 3% **B)** 5% **C)** 8% **D)** 11%

12. 9708/s15/P31/Q17

During a year, a country's national income in money terms increased by 5%, prices increased by 4% and the total population increased by 2%.

What was the approximate change in real income per head?

A) a decrease of 1%

B) a decrease of 2%

C) an increase of 1%

D) an increase of 2%

13. 9708/w14/P32/Q20

During a year, a country's national income in money terms increased by 8%, total population increased by 2% and real income per head remained constant.

What was the approximate change in the average price level?

A) a decrease of 4%

B) an increase of 4%

C) an increase of 6%

D) an increase of 10%

14. 9708/w12/P32/Q16

Over a given period, the nominal value of a country's national income increased by 20 % and the rate of inflation was 10%.

What can be deduced from this information?

A) There was an increase in the volume of output.

B) There was a reduction in the demand for money.

C) There was an increase in the income velocity of circulation.

D) The country's money supply increased by 10%.

15. 9708/w14/P33/Q17

Between 2008 and 2009 a country's national income at current prices increased by 15%. At the same time the country experienced 5% inflation.

Which index number most closely represents the country's national income in 2009 at 2008 prices (2008 = 100)?

A) 103 **B)** 110 **C)** 115 **D)** 120

16. 9708/w08/P3/Q14

During a year, a country's national income in money terms increased by 6%, prices increased by 4% and total population increased by 2%.

What was the approximate change in real income per head?

A) a decrease of 2%

B) nil

C) an increase of 2%

D) an increase of 4%

17. 9708/s08/P3/Q17

During a year, a country's national income in money terms increased by 8%, prices increased by 4% and total population increased by 2%.

What was the approximate change in real income per head?

A) a decrease of 2%

B) nil

C) an increase of 2%

D) an increase of 4%

18. 9708/s16/P31/Q19

What is not included in the measurement of national income?

A) benefits paid to the unemployed

B) dividends paid to shareholders

C) profits retained by companies

D) rent paid to landlords

19. 9708/w14/P14/Q17

A woman joins the labour force earning a salary of $25 000 per annum. Her partner who is already employed earns $18 000 per annum. They pay a child maker $8000 per annum look after their baby.

What will be the increase in GDP?

A) $17 000

B) $25 000

C) $33 000

D) $51 000

20. 9708/w07/P3/Q18

What will directly result in an increase in China's Gross National Product?

A) increased wages earned in a Malaysian-owned factory in China

B) increased imports of goods and services

C) increased outflows of net property income

D) increased taxes on domestic expenditure

21. 9708/s14/P31/Q18

The information in the table is taken from a country's national income accounts.

	$ million
national income	1000
consumer spending	750
investment spending	100
government spending on goods and services	170
taxation	110
imports	120

What is the value of exports?

A) $100 million **B)** $120 million **C)** $190 million **D)** $210 million

22. 9708/w15/P31/Q18

The table shows data on a country's gross domestic product (GDP) at market prices and on domestic spending.

	year 1 ($million)	year 2 ($million)	year 3 ($million)
GDP at market prices	630	650	680
private consumption	460	470	480
government consumption	140	160	170
gross investment	20	30	50

In which of these years will the country be faced with a balance of trade deficit?

	year 1	year 2	year 3
A	no	no	yes
B	yes	yes	no
C	no	yes	yes
D	yes	no	no

23. 9708/w14/P33/Q19

The table shows data on a country's gross national product at market prices and on domestic spending.

	year 1 ($m)	year 2 ($m)	year 3 ($m)
GNP at market prices	420	440	560
private consumption	200	260	300
government consumption	120	120	140
gross investment	90	80	130

In which of these years will the country be faced with a deficit on the current account of the balance of payments?

	year 1	year 2	year 3
A	no	yes	yes
B	no	yes	no
C	yes	no	yes
D	yes	no	no

24. 9708/s08/P3/Q18

The table shows data on a country's gross domestic product (GDP) at market prices and on domestic spending.

	year 1 ($m)	year 2 ($m)	year 3 ($m)
GDP at market prices	630	650	680
private consumption	480	470	480
government consumption	160	160	150
gross investment	20	30	40

In which of these years will the country be faced with a balance of trade deficit?

	year 1	year 2	year 3
A	no	no	yes
B	yes	yes	no
C	no	yes	yes
D	yes	no	no

25. 9708/w09/P32/Q15

The information in the table is taken from a country's national income accounts.

	$ million
national income	600
consumer spending	400
investment spending	80
government spending on goods and services	100
taxation	90
imports	120

What is the value of exports?

A) $100 million

B) $120 million

C) $140 million

D) $230 million

26. 9708/w06/P3/Q17

The table shows data on a country's gross national product at market prices and on domestic spending.

	year 1 ($m)	year 2 ($m)	year 3 ($m)
GNP at market prices	400	480	560
private consumption	200	260	300
government consumption	120	120	140
gross investment	90	80	130

In which of these years will the country be faced with a deficit on the current account of the balance of payments?

	year 1	year 2	year 3
A	✓	✗	✗
B	✗	✓	✓
C	✓	✗	✓
D	✗	✓	✗

27. 9708/s05/P3/Q16

The information in the table is taken from a country's national income accounts.

	$ million
national income	500
consumer spending	200
investment spending	75
government spending	150
taxation	140
exports	125

What is the value of imports?

A) $125 million

B) $75 million

C) $50 million

D) $25 million

28. 9708/s04/P3/Q16

A country's national income per head falls, but there is a rise in consumption.

What could explain this?

A) a decrease in the net property income from abroad

B) a fall in population

C) an increase in the trade deficit

D) a rise in negative externalities

29. 9708/s16/P31/Q27

Which correctly identifies leakages from a country's circular flow of income?

	private sector (S > I)	public sector (T > G)	trade sector (X > M)
A	no	no	yes
B	no	yes	yes
C	yes	no	no
D	yes	yes	no

30. 9708/w15/P33/Q17

The table shows figures from the national income accounts of four countries, expressed in terms of a common currency. There is no government sector and no foreign trade.

Which country enjoys the highest consumption per capita?

	gross national product	gross investment	population
A	90	10	12
B	100	20	10
C	150	10	20
D	220	120	20

31. 9708/s15/P32/Q19

Which is **not** an injection into a country's circular flow of national income?

A) inward direct investment by multinational corporations

B) private gross domestic fixed capital formation

C) the sale of government bonds to members of the public

D) wages paid to civil servants

32. 9708/s15/P31/Q18

Which represents an injection into an economy's circular flow of income?

A) a balance of trade deficit

B) a government budget deficit

C) household saving

D) the retained profits of private companies

33. 9708/s14/P31/Q20, 9708/s14/P33/Q20

What is **not** a leakage from the circular flow of income?

A) expenditure on foreign goods

B) indirect taxes

C) undistributed profits

D) unemployment benefits

34. 9708/s13/P32/Q20

Which correctly identifies injections into a country's circular flow of income?

	private sector I > S	government sector G > T	trade sector M > X
A	no	yes	yes
B	yes	no	no
C	yes	yes	no
D	no	no	yes

35. 9708/s13/P31/Q16

Which correctly identifies injections into a country's circular flow of income?

	private sector (S > I)	public sector (T > G)	trade sector (X > M)
A	no	no	no
B	no	no	yes
C	yes	no	no
D	yes	yes	yes

36. 9708/w12/P33/Q18

Which row correctly identifies net leakages from the circular flow of income?

	trade surplus (exports - imports)	government budget deficit (government spending - taxes)	private sector surplus (saving - investment)
A	✓	✓	✗
B	✓	✗	✗
C	✗	✓	✓
D	✗	✗	✓

37. 9708/w12/P31/Q18

Which represents a leakage from an economy's circular flow of income?

A) a government budget surplus

B) bank loans to private companies

C) foreign direct investment in the economy

D) the sale of assets by the country's households

38. 9708/s12/P32/Q19

Which represents an injection into an economy's circular flow of income?

A) a balance of trade surplus

B) a government budget surplus

C) the retained profits of private companies

D) household saving

39. 9708/s12/P33/Q18

Which represents a leakage from a country's circular flow of income?

A) a government budget deficit

B) bank loans to private companies

C) the purchase of foreign assets by the country's households

D) unemployment benefits

40. 9708/w10/P32/Q16

What is **not** a leakage from the circular flow of income?

A) expenditure on foreign goods

B) indirect taxes

C) undistributed profits

D) unemployment benefits

41. 9708/s02/P3/Q20

Which of the following is **not** a leakage from the circular flow of income?

A) corporation tax

B) expenditure on foreign goods

C) personal saving

D) retirement pensions

42. 9708/w15/P33/Q20

The table shows some data for an economy.

investment ($ million)	exports ($ million)	government expenditure ($ million)	savings ($ million)	imports ($ million)	taxation ($ million)	national income ($ million)
200	100	50	125	62.5	62.5	600
200	100	50	150	75	75	700
200	100	50	175	87.5	87.5	800
200	100	50	200	100	100	900

What is the equilibrium level of national income?

A) $600million **B)** $700million **C)** $800million **D)** $900million

43. 9708/w14/P31/Q21

The table shows some data for an economy.

investment $m	exports $m	government expenditure $m	savings $m	imports $m	taxation $m	national income $m
200	100	100	100	120	100	700
200	100	100	120	140	100	800
200	100	100	130	170	100	900
200	100	100	140	200	280	1000

What is the equilibrium level of national income?

A) $700m

B) $800m

C) $900m

D) $1000m

44. 9708/w08/P3/Q16

The table shows some data for an economy.

investment $m	exports $m	government expenditure $m	savings $m	imports $m	taxation $m	national income $m
200	100	50	50	120	100	700
200	100	50	60	140	150	800
200	100	50	75	160	200	900
200	100	50	100	180	275	1000

What is the equilibrium level of national income?

A) $700m

B) $800m

C) $900m

D) $1000m

ANSWERS

1	D
2	B
3	B
4	C
5	C
6	B
7	D
8	A
9	C
10	C

Past Paper Questions

1	C	26	C
2	C	27	C
3	C	28	C
4	B	29	D
5	A	30	B
6	A	31	C
7	C	32	B
8	D	33	D
9	B	34	C
10	C	35	B
11	B	36	D
12	A	37	A
13	C	38	B
14	A	39	C
15	B	40	D
16	B	41	D
17	C	42	C
18	A	43	C
19	C	44	B
20	A		
21	A		
22	C		
23	A		
24	B		
25	C		